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## Italy

## Tomatoes and Products

## Annual

## 2003

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**Report Highlights:** In 2002 (MY 2002/03), unfavorable weather conditions in the northern and southern regions adversely affected Italy's processed tomato production. The smaller crop represented an eight percent decrease in production and resulted in smaller carryover stocks. Total Italian tomato production for 2003 (MY 2003/04) is forecast at 6.6 million tons. Planting acreage is expected to increase in anticipation of more favorable weather conditions and as a result of last year's smaller crop. The increase in planting acreage is almost exclusively for processed tomatoes as harsh weather conditions severely reduced last year's stocks.

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Includes Trade Matrix: Yes  
Annual Report  
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## SECTION I.

### SITUATION AND OUTLOOK

Total Italian tomato production for 2003 (MY 2003/04) is forecast at 6.6 million tons, a nearly 8-percent increase from 2002. The increase is due in large part to an increase in planted area and anticipated favorable weather conditions. The increase in planting acreage is almost exclusively for processed tomatoes as harsh weather conditions severely reduced last year's stocks.

In 2002 (MY 2002/03), unfavorable weather conditions in the northern and southern regions adversely affected the processed tomato crop by reducing production levels from 4.7 million metric tons to 4.3 million metric tons (mmt).

According to industry data, the breakdown of Italian processed tomato production for 2002/03 is estimated as follows:

Tomato paste: 307,000 tons  
Canned tomatoes: 1,584,000 tons  
Tomato sauce: 55,200 tons

(Note: Official data provided by the Italian government may be overstated because it reflects inflated claims submitted by many tomato producers in order to obtain higher subsidies)

2003/04 processed tomato production is expected to return to normal levels.

The appreciation of the Euro vis-à-vis the U.S. dollar could reduce U.S. imports of Italian tomato products. Similarly, exchange rate fluctuations and smaller tomato supplies in Italy and throughout Europe may provide U.S. businesses limited export opportunities.

### PRODUCTION

#### Fresh Tomatoes

Industry sources reported that heavy rainfall throughout the growing season, particularly during the harvest period, affected the quality and quantity of Italian tomato production in 2002. Planted areas for processed tomatoes decreased nearly 11 percent due to the inclement weather conditions.

Forecast for the 2003 crop is expected to return to normal levels if temperate weather conditions prevail.

Italy's tomato planting season begins in early May and the harvest normally begins in mid-July. The season usually ends in middle-to-late September, but occasionally can extend until October.

Italy is among the top producers of tomatoes in the world, particularly in processed tomatoes. Geographically, the southern region accounts for nearly 60 percent of its tomato planting area. Puglia and Campagna are the top processed tomato producing areas. The northern area accounts for approximately 30 percent of Italy's tomato growing area and is primarily centered around the Emilia-Romagna region.

Weather conditions can play a major role in Italy's tomato industry. In the north, weather conditions tend to be more temperate with occasional frost and drastic changes occurring only between day-and-night time temperatures. In contrast, the climate in the south varies between occasional frost in the spring to scorching heat and drought-like conditions in the summer.

In addition to weather-related differences, transportation costs are a major expense for Italy's tomato growers and can vary between the regions. An industry source estimates that transportation costs in the north can reach up to 15 to 16 percent of a grower's operational budget. Tomato operations tend to be less costly and more efficient in the north in large part because of its mechanized process, vertical business integration, and proximity of its growing areas to the processing facilities. Although only 30 percent of Italy's tomato growing area is in the north, its highly mechanized operations allow farmers in this region to produce as much as its southern counterparts.

In contrast, the southern region has a more expansive growing area and depend more heavily on manual labor. Moreover, as a result of fewer processing facilities, transportation costs in this region can be much higher. With processing facilities concentrated in the Campagna region, growers located farther from the processing areas can sometimes pay up to 35 percent of their total budget for transportation expenses.

## TOMATO PRODUCTS

Total processed product for 2002/03 is as follows:

Tomato paste:	307,000 tons
Whole canned tomatoes:	665,280 tons
Other canned tomato products, mainly crushed and chopped:	918,720 tons
Tomato Sauce:	55,200 tons

The fresh tomato paste ratio used was 6.5, or 6.5 kilos of fresh tomatoes to 1 kilo of paste. The ratio for canned tomatoes was 1.3 (1.3 kilos of fresh tomatoes for 1 kilo of canned tomatoes). No official data for tomato sauce output exist. Since tomato sauce is produced using crushed tomatoes and paste, figures were calculated using processed tomato data supplied by the Ministry of Agriculture and by trade and producer contacts.

Italy's tomato production in 2002 is forecast to return to historical levels.

## CONSUMPTION

Fresh tomato consumption is stable. However, the use of fresh tomatoes to prepare sauces at home is likely to decline as a result of competition from new processed tomato products.

## TRADE

Italian tomato exports fell in 2002 due to lower supplies. Prices of Italian tomato exports remained competitive in the international market. A historical series of export prices is provided below:

Table: Export Prices (in Euros) of Italian Tomato Products in 2000-2002 i /Kg.

	2000	2001	2002
Tomato Paste	.76	.91	.85
Whole Canned Tomatoes	.45	.49	.48
Other Canned Tomatoes	.53	.62	.63

Source: ISMEA

Most Italian exports, especially whole tomatoes, are delivered to European and other developed countries. However, a significant share of tomato paste exports is of low quality and is destined for Russia and some African countries. Most of these tomato products are prepared using tomato paste for reprocessing imported duty-free from Greece, Turkey, China and other countries where production costs are much lower. Tomato paste produced in China is reported to be of much better quality than from the other countries.

Preliminary trade data from the Italian Central Institute of Statistics show tomato imports rose in 2002. Last year's production shortfall resulted in an increase in the three major processed tomato categories. In 2002, Italian paste imports from China rose 24 percent. Tomato paste imports from China accounted for more than 74% of Italy's total paste imports. Note: Italian companies have reportedly invested in the development of tomato processing facilities in China in exchange for commitments to contract for Chinese tomato production. This could potentially increase Chinese tomato paste exports throughout the world, particularly to the United States.

The recent appreciation of the Euro vis-à-vis the U.S. dollar could impact Italian tomato exports to the United States. In 2002, U.S. imports of Italian tomato products, including paste and sauce, totaled more than 80,000 MT. To date (January-March 2003), U.S. tomato imports from Italy are approximately 21,000 MT, down nearly 11 percent from the same period a year ago.

Similarly, the weakening of the U.S. dollar vis-à-vis the Euro as well as smaller tomato supplies in Italy

and throughout Europe may provide U.S. businesses limited export opportunities. To date, (January-March 2003), U.S. tomato exports to Italy are more than 8,000 MT compared to 0 MT the same period last year.

## POLICY

The EU did not make any changes to Italy's processed tomato production quota, which remains at 4.35 million tons. Under the Italian tomato system, growers are expected to receive 34.06 euros/ton in 2003/04, the same as last year. Subsidies are paid directly to growers through the producers' association and are reduced proportionally if production exceeds the national quota.

Tomato processors do not have to pay a fixed minimum price to growers in order to receive a processing subsidy. Processors are free to purchase processing tomatoes from whatever they chose, including foreign sources.

## SECTION II.

### TARIFF TABLE

Tariff Table for 2003	
Import duty for tomato paste and canned tomatoes	14.4 %
Import duty for sauce and ketchup	10.2 %

## PSD TABLES

## Fresh Tomatoes

PSD Table						
Country	Italy					
Commodity	Fresh Tomatoes				(HA)(MT)	
	2001	Revised	2002	Estimate	2003	Forecast
	USDA Official[Old]	Post Estimate[New]	USDA Official[Old]	Post Estimate[New]	USDA Official[Old]	Post Estimate[New]
Market Year Begin		01/2001		01/2002		01/2003
Plnt For Fresh Consump	0	40000	40000	40000	0	40000
Plnt For Processing	0	85000	84000	76000	0	85000
TOTAL Area Planted	0	125000	124000	116000	0	125000
Harv. For Fresh Cons.	0	37000	38000	37000	0	38000
Harv. For Processing	0	81000	80000	70000	0	81000
TOTAL Area Harvested	0	118000	118000	107000	0	119000
Fresh Sale Production	0	1800000	1750000	1750000	0	1800000
Processing Production	0	4740000	4300000	4300000	0	4800000
TOTAL Production	0	6540000	6050000	6050000	0	6600000
TOTAL SUPPLY	0	6540000	6050000	6050000	0	6600000

## Canned Tomatoes

PSD Table						
Country	Italy					
Commodity	Canned Tomatoes				(MT)(MT, Net Weight)	
	2001	Revised	2002	Estimate	2003	Forecast
	USDA Official[Old]	Post Estimate[New]	USDA Official[Old]	Post Estimate[New]	USDA Official[Old]	Post Estimate[New]
Market Year Begin		07/2001		07/2002		07/2003
Deliv. To Processors	2556000	2564000	2500000	2358880	0	2571179
Beginning Stocks	517000	537000	467000	412000	0	319400
Production	1780000	1663000	1750000	1584400	0	1744156
Imports	10000	9000	10000	13000	0	16350
TOTAL SUPPLY	2307000	2209000	2227000	2009400	0	2079906
Exports	920000	877000	940000	840000	0	879456
Domestic Consumption	920000	920000	930000	850000	0	880000
Ending Stocks	467000	412000	357000	319400	0	320450
TOTAL DISTRIBUTION	2307000	2209000	2227000	2009400	0	2079906

## Tomato Paste

PSD Table						
Country	Italy					
Commodity	Tom. Paste,28-30% TSS Basis				(MT)(MT, Net Weight)	
	2001	Revised	2002	Estimate	2003	Forecast
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]
Market Year Begin		07/2001		07/2002		07/2003
Deliv. To Processors	2176000	2176000	2000000	1962752	0	2139400
Beginning Stocks	141000	141000	105000	105000	0	64000
Production	340000	340000	310000	306680	0	334281
Imports	96000	96000	110000	86592	0	94385
TOTAL SUPPLY	577000	577000	525000	498272	0	492666
Exports	398000	398000	400000	359272	0	361192
Domestic Consumption	74000	74000	74000	75000	0	81474
Ending Stocks	105000	105000	51000	64000	0	50000
TOTAL DISTRIBUTION	577000	577000	525000	498272	0	492666

## Tomato Sauce

PSD Table						
Country	Italy					
Commodity	Tomato Sauce				(MT)(MT, Net Weight)	
	2001	Revised	2002	Estimate	2003	Forecast
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]
Market Year Begin		07/2000		07/2001		07/2002
Deliv. To Processors	0	0	0	0	0	0
Beginning Stocks	0	0	0	0	0	0
Production	0	57000	0	60000	0	55200
Imports	10	0	10	0	10	4000
TOTAL SUPPLY	10	57000	10	60000	10	59200
Exports	0	26000	0	28000	0	27200
Domestic Consumption	10	31000	10	32000	10	32000
Ending Stocks	0	0	0	0	0	0
TOTAL DISTRIBUTION	10	57000	10	60000	10	59200

TRADE MATRIXES

Canned Tomatoes Imports

Import Trade Matrix			
Country	Italy		
Commodity	Canned Tomatoes		
Time period		Units:	
Imports for:	2001		2002
U.S.	0	U.S.	
Others		Others	
Spain	4200	Spain	6500
Portugal	4300	Portugal	4500
Total for Others	8500		11000
Others not Listed	2000		2000
Grand Total	10500		13000

## Canned Tomatoes Exports

Export Trade Matrix			
Country	Italy		
Commodity	Canned Tomatoes		
Time period		Units:	
Exports for:	2001		2002
U.S.	75900	U.S.	82000
Others		Others	
U.K.	201000	U.K.	194000
Germany	171000	Germany	165000
France	92000	France	89000
Belgium	43000	Belgium	41000
Japan	48000	Japan	54000
Canada	14000	Canada	10000
Switzerland	17000	Switzerland	20000
Total for Others	586000		573000
Others not Listed	225500		209000
Grand Total	887400		864000

## Tomato Paste Imports

Import Trade Matrix			
Country	Italy		
Commodity	Tom. Paste,28-30 % TSS Basis		
Time period		Units:	MT
Imports for:	2001		2002
U.S.	8	U.S.	353
Others		Others	
Greece	11000	Greece	6000
China	70000	China	87000
		Turkey	1600
Total for Others	81000		94600
Others not Listed	1992		22047
Grand Total	83000		117000

## Tomato Paste Exports

Export Trade Matrix			
Country	Italy		
Commodity	Tom. Paste,28-30 % TSS Basis		
Time period		Units:	MT
Exports for:	2001		2002
U.S.	700	U.S.	700
Others		Others	
Germany	94000	Germany	81000
France	26000	France	21000
U.K.	20000	U.K.	20000
Netherlands	15000	Netherlands	13000
Libya	15000	Libya	40000
Russia	21000	Russia	16000
Benin	19000	Benin	20000
Ghana	11000	Ghana	17000
Total for Others	221000		228000
Others not Listed	163300		161300
Grand Total	385000		390000

## Tomato Sauce Imports

Import Trade Matrix			
Country	Italy		
Commodity	Tomato Sauce		
Time period		Units:	MT
Imports for:	2001		2002
U.S.	350	U.S.	12
Others		Others	
France	3600	France	214
Germany	10200	Germany	2000
U.K.	3300	U.K.	811
Total for Others	17100		3025
Others not Listed	8050		1963
Grand Total	25500		5000

## Tomato Sauce Exports

Export Trade Matrix			
Country	Italy		
Commodity	Tomato Sauce		
Time period		Units:	MT
Exports for:	2001		2002
U.S.	350	U.S.	2091
Others		Others	
France	3600	France	9000
Germany	10200	Germany	19000
U.K.	3300	U.K.	8000
Total for Others	17100		36000
Others not Listed	8050		12909
Grand Total	25500		51000